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S E C R E T SECTION 01 OF 02 BAKU 000430

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DEPT FOR EUR/SNEC AND EUR/CARC

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SUBJECT: PRESIDENT ALIYEV LOOKS TO THE FUTURE OF AZERBAIJAN

Classified By: Ambassador Reno L. Harnish III per 1.4 (b,d).

¶1. (C) SUMMARY: In a meeting with EUR A/S Fried on March 14, President Aliyev said that the U.S.-Azerbaijan relationship remains strong and reaffirmed Azerbaijan's westward orientation. Aliyev expressed concern about the situation of ethnic Azeris in Georgia asked A/S Fried to raise the issue there. On domestic issues, Aliyev said that after 15 years of energy sector development, Azerbaijan now had to use oil revenues wisely, reduce poverty and avoid Dutch Disease.⁸ A/S Fried urged Aliyev to create space for the democratic process in Azerbaijan and to ensure jailed ex-Ministers Ali Insanov and Farhad Aliyev have a transparent and fair trial. Aliyev said the trial would be soon, open and transparent. END SUMMARY.

¶2. (C) On March 14, EUR Assistant Secretary Fried, Ambassador Harnish, EUR/SNEC Special Negotiator Mann, EUR/CARC Director Rood, and EUCOM Colonel Anderson met with President Aliyev on a wide range of issues. (Nagorno-Karabakh issues reported septel.) A/S Fried began by noting that Azerbaijan's opportunities outweighed its problems. All the country's problems, whether the need to deepen democracy, reform economically, or solve N-K, were manageable, he said.

A Crucial Time

¶3. (C) President Aliyev underscored his belief that after 15 years of energy development, Azerbaijan had reached an important juncture. The major question, he said, was how not to spend the oil revenue in a way that resulted in macroeconomic instability. He stressed that Azerbaijani society was "stable," with 340,000 jobs created and a 20 percent decrease in poverty in the past two years. He stressed that politically, he and the ruling YAP party were in a strong position. It was not his fault, he argued, that the opposition was weak and fractured. Following the breakup of the tenuous coalition of opposition parties after the November election, he noted, the opposition had turned to blame the U.S. for its lack of success.

¶4. (C) Internationally, Aliyev looked to the West, stressing that he valued relations with the U.S. Sandwiched between "two elephants" in Iran and Russia, Aliyev believed that Black and Caspian Sea cooperation were important issues for global security. As Azerbaijan increased its international involvement, perhaps its Chairmanship of the Foreign Ministers Conference of the OIC could also prove useful to the West. While N-K was the GOAJ's

fundamental international issue, he said, the treatment of ethnic Azeris living in Georgia was of growing concern. Many ethnic Azeris there, Aliyev claimed, were dissatisfied with their lack of ability to own land. While Azerbaijan "could not afford problems" in relations with Georgia, Aliyev also noted that between five and six ethnic Azerbaijanis had been killed in Georgia and asked that A/S Fried raise the issue during his stopover in Georgia. A/S Fried agreed.

SECURITY ISSUES

15. (S) A/S Fried noted that the USG looked to deepen its relationship with Azerbaijan across the board. DFM Azimov's upcoming visit to the U.S. for Pol-Mil talks would be an important opportunity for dialogue on Iran. Military cooperation continued to deepen, and Colonel Anderson noted USG and Turkish interest in rehabilitating Nasosnaya airbase as a refueling stop. A EUCOM study had estimated a need for USD 36 million to fully upgrade the airbase and Azerbaijan should consider funding the project in addition to U.S. assistance.

DEMOCRACY AND HUMAN RIGHTS

16. (C) Turning to Azerbaijan's politics, A/S Fried noted his satisfaction that some opposition MPs had taken seats won during the November parliamentary election. Common understanding among political forces in Azerbaijan is an important goal, he said; presidential leadership was necessary to create a "space" for the democratic process.

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Fried also asked for an update on the trials of two ministers first detained in October 2005.

17. (C) President Aliyev noted that which parties the West appeared to support influenced public opinion in Azerbaijan. While he expressed personal dislike for opposition leader Isa Gambar, Aliyev was nonetheless pleased Gambar's Musavat party had decided to take its seats in parliament following the November election and shared A/S Fried's disappointment that others had vacated their seats. On the detention cases of former Minister of Economic Development Farhad Aliyev and Minister of Health Ali Insanov, President Aliyev questioned why Western interest seemed to focus on Farhad Aliyev. Obviously uncomfortable, he indicated that trials would begin "soon." However, President Aliyev claimed the two ex-ministers were not "political people," but government workers. He could not understand why the cases had drawn so much attention, noting that a visiting EU Commissioner had raised the issue as well, but had pressed only on Farhad Aliyev's behalf. Nevertheless, President Aliyev promised an open and transparent trial for both men.

18. (U) A/S Fried has cleared this message.

HARNISH